



## MEMORANDUM

To: House of Representatives Tax Policy Committee Members  
From: Alexa Rae Malesky- Public Policy Coordinator  
Subject: SB 887- Modify definition of taxable use  
Date: May 2, 2018

### Background

Currently, use tax can be levied on tangible personal property that a person, e.g. contractor, acquires for the sole purpose of affixing the property to real estate. This can be true even if a sales tax was already levied on the property at the time of purchase. In order for the contractor to not be responsible for the use tax, they must provide proof that tax was paid.

### Summary

SB 887 (Brandenburg) would amend the Use Tax Act to clarify that taxes levied under the Act would not apply to tangible personal property that a contractor obtains for the sole purpose of affixing the equipment to a structure. This is to the extent that the equipment was not exempt from either the General or Sales Tax Act. **The Grand Rapids Chamber supports this legislation.**

### Rationale

Under current law, a contractor could be put in the position where they would need to prove that a sales tax was paid on the equipment that was given to them. Often, contractors are not the purchasers. Especially for chain stores, the store purchases items in bulk in order for all stores to look the same, and hires a contractor to install the items they need. The contractor has no idea what the chain store (purchaser) paid on the items. Therefore, providing proof of a sales tax payment would be burdensome and difficult for a contractor to do, having them jumping for hoops for the information.

This month, the issue was brought before the Chamber's Tax & Regulatory Affairs Committee. The committee expressed great concern with current practice, not only for the specific issue this bill seeks to remedy, but with the scope of this ideology. If Use Tax can be levied in this overreaching way, where is the line drawn?

Without this bill, this practice will continue to do harm. Michigan should be creating a business climate that is attractive and conducive to economic development. This is why the Grand Rapids Chamber, on behalf of our members, **urges your support of SB 887.**